

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 OMB-01 TRSE-00 EB-08 AID-05 OES-07 DOE-11
SOE-02 /091 W

-----006420 131439Z /46

R 130831Z JAN 78
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 8700
INFO AMEMBASSY ISLAMABAD
AMEMBASSY DACCA
AMEMBASSY KABUL
AMEMBASSY KATHMANDU
AMEMBASSY TEHRAN
AMEMBASSY COLOMBO
CINCPAC
AMCONSUL CALCUTTA
AMCONSUL BOMBAY
AMCONSUL MADRAS

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CINCPAC FOR POLAD; TEHRAN NOTE PARA 6

E.O. 11652: N/A
TAGS: PK, IN, IR, ECON
SUBJECT: INDO-PAK RELATIONS; THE SHAH'S COMMON MARKET PROPOSAL

1. INTRODUCTION AND SUMMARY

DISCUSSING INDO-PAK RELATIONS JANUARY 10 WITH POL COUNSELOR AND
VISITING EMBASSY ISLAMABAD POL OFFICER RAPHEL, MEA JOINT
SECRETARY (PAK/IRAN/AFGHANISTAN) I.P. SINGH STRESSED ECONOMIC
TIES AND PROSPECTS, INCLUDING THE SHAH'S SOUTH ASIAN COMMON
MARKET PROPOSAL. HE CONFIRMED PRESS REPORTS ABOUT A FORTHCOMING
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EXCHANGE OF VISITS BY INDIAN FOREIGN MINISTER VAJPAYEE AND PAK
CHIEF MARTIAL LAW ADMINISTRATOR ZIA-UL-HAQ, REITERATED INDIAN
INTEREST IN PAK STABILITY, AND CAME UP WITH A DISCOURAGING FOR-

CAST OF FUTURE DEVELOPMENTS ACROSS THE BORDER. END INTRODUCTION
AND SUMMARY.

2. SINGH'S DISCUSSION OF INDO-PAK ECONOMIC TIES FOLLOWED A QUERY BY THE USG OFFICERS ABOUT THE POSSIBILITY OF THE SHAH AGAIN RAISING HIS CONCEPT OF A SOUTH ASIAN COMMON MARKET DURING HIS VISIT TO NEW DELHI NEXT MONTH. SINGH SAID HE EXPECTS THAT THE SHAH WOULD DO SO. IN SINGH'S VIEW, THE SCHEME WAS A SUBSTITUTE FOR THE EXPANSION OF THE RCD, A PROPOSAL OF THE SHAH WHICH WAS REJECTED BY THE BHUTTO GOVERNMENT BECAUSE OF THE PROJECTED INCLUSION OF INDIA. SINGH SAID THAT INDIA HAD ALREADY WELCOMED THE SHAH'S INITIATIVE. OTHERS, SUCH AS THE PRC AND BANGLADESH, WOULD ALSO SUPPORT IT, AFGHANISTAN WOULD NOT STAY OUT, AND NEPAL WOULD BE NEUTRAL. UNDER THESE CIRCUMSTANCES, IT WOULD BE DIFFICULT FOR THE GOP TO TURN DOWN THE SCHEME, THOUGH SOME IN ISLAMABAD, INCLUDING MFA SECRETARY GENERAL AGHA SHAHI, OPPOSE IT.

3. GOING ON TO DISCUSS TRANSIT TRADE, AN EVIDENT FEATURE OF THE SHAH'S PROPOSAL, SINGH REPORTED THAT THE BDG AND THE NEPAL GOVERNMENT HAD ALREADY REQUESTED FACILITIES FOR TRANS-INDIA TRADE WITH

PAKISTAN. HE SAID THAT THE GOI HAD OFFERED TO THE GOP PAK/BD AND PAK/NEPAL TRANSIT TRADE IN EXCHANGE FOR THE PASSAGE OF INDIAN IMPORTS

AND EXPORTS ACROSS PAKISTAN. HE HAD TOLD THE PAKS THAT INDIA WOULD BE PREPARED TO USE ONLY RAIL TRANSIT AND NOT ROADS IF THE GOP PREFERRED THAT. TO SWEETEN THE DEAL FURTHER, THE GOI HAD TOLD THE

GOP THAT THE PAKS THEMSELVES COULD DETERMINE THE AVAILABILITY OF LIMITED OFFICIAL USE

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RAIL CARS; THE INDIANS WOULD NOT INSIST ON ANY GUARANTEED NUMBER. SINGH EXPECTS THE SUBJECT WOULD FIGURE IN THE AGENDA FOR THE SHAH'S TALKS HERE. HE SAID MEA'S PROBLEM WAS THAT THE IDEA HAD BOTH SUPPORTERS AND OPPONENTS IN PAKISTAN.

4. SINGH SAID INDIA EXPORTS TO PAKISTAN NOW AMOUNTED TO RS 50 MILLION (ABOUT 6 MILLION DOLLARS) A MONTH. IMPORTS WERE MUCH LESS. THESE INCLUDED DURING THE CURRENT INDIAN FISCAL YEAR (BEGINNING APRIL 1977) RS 150 MILLION IN NAPHTHA AND FURNACE OIL. ADDITIONALLY, THE INDIANS WERE SENDING A PURCHASING MISSION TO PAKISTAN TO SEE IF INDIA COULD BUY 200,000 BALES OF PAK COTTON, WORTH BY SINGH'S ESTIMATE RS 250 MILLION. THE INDIANS HAVE ALSO OFFERED TO PURCHASE NATURAL GAS FROM PAKISTAN AND HAVE TOLD THE GOP THAT THEY ARE EVEN PREPARED TO BUILD AND FINANCE A PIPELINE FROM THE SUI GAS FIELDS TO INDIA. SINGH SAID THEY WOULD DO THIS TO PROVE THEIR BONA FIDES AND INTEREST IN GOOD RELATIONS, THE IDEA BEING THAT THE INDIANS WERE WILLING TO MAKE AN ARRANGEMENT WHICH WOULD PUT THE PAKS IN A POSITION WHERE THEY COULD CUT OFF SUPPLIES.

5. SINGH CONFIRMED REPORTS, SPARKED BY PM DESAI'S COMMENTS TO THE VISITING BRITISH PM, THAT FOREIGN MINISTER VAJPAYEE WOULD VISIT

PAKISTAN. NO DATE HAS BEEN SET. ACCORDING TO SINGH, VAJPAYEE HAS BEEN INTERESTED IN GOING AS A FURTHER INSTALLMENT OF HIS GOOD WILL VISITS TO NEIGHBORING COUNTRIES IN THE CAUSE OF IMPROVED RELATIONS. (HE HAD PUBLICLY SAID SO IN A SPEECH RECENTLY IN MADHYA PRADESH). VAJPAYEE ALSO WISHED FURTHER TO PROVE TO THE PAKS THAT DESPITE HIS JANA SANGH BACKGROUND HE WAS SINCERE IN WORKING FOR BETTER RELATIONS

THE PAKS HAD SUBSEQUENTLY "LET IT BE KNOWN" THAT THEY WOULD WELCOME SUCH A VISIT. SINGH SAID THE VISIT WOULD BE DESIGNED TO BUILD BETTER PERSONAL TIES BETWEEN VAJPAYEE AND THE PAKS AND WOULD NOT INVOLVE SUBSTANTIVE MATTERS. IT WOULD BE FOLLOWED BY A VISIT TO INDIA OF CMLA ZIA, THE FIRST VISIT OF A PAK HEAD OF GOVERNMENT HERE SINCE BHUTTO SIGNED THE SIMLA AGREEMENT IN 1972.

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6. AT HIS JANUARY 12 PRESS CONFERENCE, PM DESAI SAID THE VISITS WOULD TAKE PLACE "VERY SOON" BUT SAID NO DATES HAD BEEN SET. HE ALSO MENTIONED THAT THE SHAH WOULD BE COMING TO INDIA IN THE FIRST WEEK OF FEBRUARY AND THAT HE MIGHT DISCUSS THE QUESTION OF AN ASIAN COMMON MARKET WITH HIM.

7. ON OTHER ASPECT OF INDO-PAK RELATIONS, SINGH SAID THAT AT GOP REQUEST THE INDIANS WERE NOT MAKING ANY FURTHER EFFORTS TO RESOLVE THE SALAL DAM DISPUTE FOR THE TIME BEING. HE SAID THE PAKS HAD SENT A NUMBER OF VISITORS ON STUDY AND TECHNICAL TRIPS TO INSPECT INDIAN FACILITIES, MOVES WHICH THE GOI HAD WELCOMED. THEY HAD NOT YET PROPOSED A NEW AMBASSADOR TO REPLACE FIDA HASSAN WHO HAD DIED SUDDENLY IN NEW DELHI DECEMBER 10.

8. SINGH AGREED WITH THE US OFFICERS THAT BHUTTO HAD REGAINED CONSIDERABLE POPULARITY. HE SAID HE THOUGHT THE MLA WAS NOW BUILDING UP WALI KHAN, AND WOULD EVENTUALLY DEAL WITH THE PROBLEM OF BHUTTO'S POPULAR STRENGTH BY MASSIVELY RIGGING ELECTIONS. WE ALL AGREED THAT THIS COULD START PAKISTAN DOWN THE SAME PATH WHICH IT HAD FOLLOWED AFTER THE LAST ELECTIONS IN MARCH. SINGH ALSO REITERATED INDIAN INTEREST IN PAKISTAN'S STABILITY AND INTEGRITY. HE DID NOT DISAGREE WITH THE POL COUNSELOR'S SUGGESTION THAT ON THE POLITICAL SIDE AT LEAST INDIA WOULD BE WELL ADVISED TO CONTINUE ITS ADMIRABLE POLICY OF "BENIGN NEGLECT" DURING PAKISTAN'S TIME OF TROUBLE.

9. SINGH SAID HE WAS UNAWARE OF ANY BDG PLANS TO HOLD A REGIONAL SECURITY MEETING, EXCLUDING INDIA, REPORTS OF WHICH RAPHEL SAID HE HAD SEEN IN THE NEPAL PRESS.
GOHEEN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MARKETS, SHAH, COMMON MARKETS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978NEWDE00702
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780020-0538
Format: TEL
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780168/aaaacfbf.tel
Line Count: 166
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0731fce3-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3781123
Secure: OPEN
Status: NATIVE
Subject: INDO-PAK RELATIONS: THE SHAH'S COMMON MARKET PROPOSAL
TAGS: ECON, PK, IN, IR
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/0731fce3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014